

*Minnesota Forest Resources Council*  
Minutes  
Lake of the Woods Ambulance Hall, Baudette, MN  
September 17, 2013

**Members Present:** Bob Stine (Chair), Susan Solterman Audette, Greg Bernu, Forrest Boe, Wayne Brandt, Mark Johnson (alternate for Shawn Perich), Alan Ek, Dale Erickson, Darla Lenz, Bob Lintelmann, Gene Merriam, Bob Owens, Dave Parent, Mike Trutwin

**Members Absent:** Shaun Hamilton, Shawn Perich, Kathleen Preece, Mary Richards

**Staff Present:** Dave Zumeta, Lindberg Ekola, Calder Hibbard, Rachael Nicoll, Rob Slesak

**Guests:** Mayor Bob Anderson (International Falls), Rod Bergstrom (Bergstrom Wood Products, Inc.), Dana Carlson (MN DNR), Perry Eide (Northern Landscape Committee), Kelly Eligio (USDA NRCS), Representative Roger Erickson, Craig Halla (Molpus), Mike Hanson (original Northern Landscape Committee member), Nate Heibel (Boise, Inc.), Ken Hortman (Lake of the Woods County), Nicholas Jensen (MN DNR), Scott Laudenslager (MN DNR), Gretchen Mehmel (MN DNR), Ken Moorman (Lake of the Woods County Board), Paul Nevanen (Koochiching Economic Development Authority), Dzung Ngo (IREX/ECA, South Vietnam), Buck Nordlof (Lake of the Woods County Board), Wayne Skoe (Koochiching County Board, TPA Board of Directors), Dave Thomas (MN DNR), Corryn Trask (Lake of the Woods SWCD)

**Chair's Remarks**

Bob Stine opened the meeting with introductions and provided an overview of the meeting agenda. He noted the extension of Michael Lynch's position as MFRC Landscape Forester through December. Bob asked for public input from attendees. Dana Carlson, Baudette Area Supervisor, DNR Division of Forestry, asked Bob to describe the council's role. Bob replied that Dave Zumeta will review the council's role in the Executive Director's remarks.

**Approval of Meeting Minutes\***

Mike Trutwin approved, and Wayne Brandt seconded, the meeting minutes. *The minutes were unanimously approved.*

**Approval of Agenda\***

Wayne Brandt approved, and Dave Parent seconded, the meeting agenda. *The agenda was unanimously approved.*

### **Executive Director Remarks**

Dave Zumeta explained that the Minnesota Forest Resources Council was established in 1995 with the passage of the Sustainable Forest Resources Act (SFRA, M.S. 89A). The council's statutory mission is to advise the governor and legislature on sustainable forest policies and practices. The governor appoints 16 Council members, and the Minnesota Indian Affairs Council appoints one. The council operates two major programs. The Site-level Program developed and periodically revises the forest management guidelines and advises the DNR on monitoring and guideline implementation. The Landscape Program creates long-range goals for the six forested regions in Minnesota. The Northern Committee is composed of three counties: Lake of the Woods, Koochiching, and most of Beltrami. The council also provides advice on continuing education related to forestry.

### **Committee Reports**

#### *Personnel and Finance*

Bob Stine announced that the committee met this morning. The most substantive item discussed was an upcoming revision of the SFRA. Bob explained that conditions are right at the legislature for a review of the law's language. Dave Zumeta and MFRC staff will draft changes to the SFRA and collect input on the drafts. This will be an action item at the November meeting.

#### *Site-Level*

Dave Parent commented that the committee is working to finalize a pocket-sized guideline book for field use; however, there is not currently enough money to publish it.

#### *Landscape Planning/Coordination*

Lindberg Ekola reported that the committee met via conference call. He provided meeting minutes as a handout. The committee discussed the Northeast (NE) Regional Landscape plan update, specifically the NE economic and ecological framework, and the function of the regional committees.

#### *Information Management Committee*

Calder Hibbard reported that the committee met in mid-August. The committee focused on prioritizing the Private Lands Study recommendations and continued a discussion regarding past efforts and strategies related to improving forest productivity. Dick Hemmingson shared information about next generation wood products, and Dave Bengston talked about the Forest Service's futuring project.

### **Written Communication to the MFRC**

None.

### **Committee of the Whole: Motion to approve implementation of private land study recommendations\***

Calder Hibbard provided an overview of the Private Lands Study and the compilation of policy recommendations included in the study. He emphasized the need to strategically prioritize these recommendations. The Information Management Committee (IMC) has started this process. Top decision-making criteria identified by the IMC include political palatability, capacity/ability to carry out recommendations and equity of the recommendations. Calder covered other decision criteria. Top priorities include: 1) actively marketing programs to encourage active and sustainable forest management; 2) increasing market opportunities for traditional forest products, renewable energy and ecosystem-services; and 3) encouraging integrated service delivery between the broad range of agencies and organizations. Calder also reported second-tier priorities.

Craig Halla of Molpus Timberlands worked with Calder on the study and mentioned two foci of large land owners that Calder hadn't covered: better and stronger markets and tax policy that reduce Minnesota's competitiveness. Minnesota is by far the most expensive tax state in addition to being less productive than other states. Minnesota is a marginal place to do business even with SFIA, but without SFIA, Molpus would have divested major tracts of land. There is not money to be made in managing forests long-term. Alan Ek suggested that Minnesota will need to be more aggressive and look to investments. Greg Bernu commented that the county boards are wary of the payment of property taxes for services. The SFIA program is better suited than other forest tax programs to maintain large tracts of property. County boards will reject anything that disrupts sources of revenue. Dale Erickson commented on the large loss of small jobs; there is much more attention when a big company shuts down. Bob Stine said it was interesting that SFIA wasn't in the top three recommendations. Calder remarked that the first priority was meant to include SFIA. The second tier priorities just place more of a focus on it.

Dave Zumeta asked Wayne Brandt to comment on outcomes of changes to SFIA. Wayne said that prior to the budget crisis, all landowners received the same treatment. Unallotments by Governor Pawlenty resulted in the SFIA payment cap, which affected the largest landowners in the program. The cap prevented SFIA from being a long-term program, as it was envisioned. In the previous session, the legislature ratified its short-term status. The legislature lifted the cap and added the provision that if a landowner is not paid, they can withdraw. The SFIA now also allows motorized access. A new exclusion of payments from landowners with conservation easements of over 60,000 acres restricted only one large landowner in the state. The notion that the SFIA is a sustainable, long-term program was disproved in the session. This is not what the forestry community was looking for. Bob Stine commented on the small chance of a legislative review of these changes. More education about this issue is necessary.

Wayne Brandt approved, and Dave Parent seconded, the motion to approve implementation of private land study recommendations. *The motion was unanimously approved.*

### **Update on forest management guidebook content**

Bob Stine introduced Rob Slesak and lauded the ad hoc committee for their impressive progress over the past few months. Rob reviewed the ad hoc committee's membership and charge and provided an overview of the ad hoc committee's progress. The committee 1) reviewed stakeholder input and monitoring trends; 2) identified key topics; 3) identified key guidelines; 4) created draft sections by topic; and 5) completed an initial review of the draft sections. In addition to a technical review, the council will provide feedback to the ad hoc committee over the next few months. The goal of this process is to create a user-friendly book fit for an operational setting. The DNR and MLEP/loggers provided input on field guide content via a questionnaire, and monitoring improvement areas were identified.

The forest management guideline content evaluation involved condensing numerous guidelines into a core group of those most critical to resource protection. Dave Chura (MLEP) and Rob completed the initial evaluation to find key themes by topic. Gene Merriam inquired about the inclusion of an acronym glossary in the field guide. There will be a glossary as well as a DNR contact inventory. Rob explained that the graphic content is in draft form, but the text content is almost ready for review. Gene emphasized the need to reduce space in a field guide and suggested the elimination of unnecessary graphics. Rob responded that there was more than enough room at its current length, and the ad hoc committee was actually thinking about adding in more pictures and graphics. The ad hoc committee's next steps for field guide completion include: 1) soliciting feedback by mid- to late November; 2) finalizing content recommendations by December; 3) MFRC approval and/or modification in January; 4) securing suitable graphics; 5) usability testing; 6) graphic design; and finally, 7) publication. Dale Erickson asked about the field guide's thickness. Rob replied that it will be a thin book of about 100 pages of water resistant, heavy coated stock. Mark Johnson suggested that we secure endorsement of the field guide from key stakeholder groups as a means of support for the condensed guide. Greg Bernu suggested changing a table in the RMZ section from trees per acre to spacing in feet as it's much easier to use. Rob responded that the table was a draft example of some potentially useful information, and it may indeed be better to present it as tree spacing in the final copy.

Bob Stine encouraged Council members to review the field guide. Rob requested feedback by the end of the first week of November. He will email feedback criteria. Rob mentioned that Rebecca Barnard, DNR Forest Certification Coordinator, provided input on certification and implementation goals. Rebecca said that the implementation goals could be very helpful for auditors, but there is also a concern that auditors might misuse the goals. Rob asked Bob for more time than originally to complete the ad hoc committee's charge. Rob will provide further information on the committee's progress at the next Council meeting and mentioned that the revised guidelines are on the MFRC's website as a PDF. Bob added that the council will review where to spend funds; publishing costs may be prohibitively high.

### **Primary forest industry competitiveness**

Bob Stine introduced Forrest Boe. Forrest commented on the signs of the improving health of Minnesota's forest industry; however, less desirable changes have occurred as well. The Governor's Task Force completed three reports on the competitiveness of Minnesota's primary forest industry in 2003, 2006 and 2007. The time has come to update these reports.

Calder Hibbard thanked Forrest and asked the council for feedback on this initiative, considering that this is a prospective piece. The council is updating the report now in response to changing Minnesota and Midwestern markets, the loss of harvesting capacity in Minnesota over more than five years, changing and emerging products and infrastructure and resource constraints. Calder provided a review of the past Task Force reports and changes in Minnesota's regional and global competitiveness. This new report will involve an update of the 2003 report that explored how Minnesota stacks up against neighboring states and other countries. Calder spoke about potential metrics to utilize in the assessment.

The expected timeline to complete the report is from September 2013 to January/February 2014. Calder outlined potential next steps: 1) convene the steering and work committees; 2) summarize background, trends and issues and assess past efforts and potential futures; 3) review 2003 metrics; 4) perform a survey of Minnesota forest products companies; 5) perform selected state agency interviews; and 6) develop recommendations for the governor and legislature. Dave Parent asked about how the steering and work committees will break down the assessment. Dave Zumeta responded that the committees will work closely with DNR staff that participated in the past reports. Alan Ek suggesting using consultants to gather and analyze data more quickly. Dave replied that the previous reports utilized consultants, and the update will too barring financial constraints. Bob Owens emphasized the need for creativity and sharing ideas. The forestry community needs to act and market what we have. Wayne asked about opportunities going forward. Calder said there is still merit in assessing Minnesota's competitiveness as factors that affect the primary forest markets will affect others; however, the update must be broader in scope than the 2003 report. Alan stressed the aging of the forest; quality is declining while fire issues are growing. This is an urgent issue. Dale Erickson commented that the council is not a proactive group; we are a reactive group. He expressed interest in a review of the DNR's actions as it is a leader in forest management.

### **Overview of Beltrami, Lake of the Woods, and Roseau County landscapes and forestry**

Bob Stine introduced Dana Carlson. Dana covered the geological history of the region. The area is fairly flat and fairly poorly drained as it was once at the bottom of Glacial Lake Agassiz. He also provided an overview of the region's cultural history. Several treaties and acts of Congress severely diminished Native American land and opened the area for settlers. Homestead-era ditching led to the digging of 1500 miles of ditches between 1909 and 1917. The immense cost resulted in a 50 to 60 percent tax delinquency in Lake of the Woods and Beltrami counties.

The Red Lake Game Preserve was established in 1929 from consolidation-conservation lands. Land was ceded to Red Lake Band if it was not homesteaded. The band did not allow allotment - the band as a whole owns these lands. About 600,000 acres are actively managed and hunting and gathering takes place on them. The Red Lake Game refuge was established in 1932. The year 1931 marked the establishment of the Beltrami Island State Forest, and the Land Utilization Project (LUP) was initiated in 1935 to purchase land and relocate settlers in the midst of the Great Depression. This is federal land that is leased to the State of Minnesota, and their management scheme is different from state owned land. Norris Camp had several uses: the Civilian Conservation Corps, the Resettlement Administration and New Deal work projects. There are scattered Trust Fund lands east of an old treaty line, especially in Koochiching county. Dave Zumeta emphasized that this matrix of ownerships is a good example of why the MFRC has a landscape program.

The fur trade originally brought European descendants here. Later draws were fishery, forestry and homesteading. The first forest products went to Ontario, and the expansion of the railroad was a market for forest products as well as cedar poles. There was a long lull after the pineries were cut, and pulp has become the primary market. A lot of people were involved in small operations at that time. The forest industry has changed a lot over the last 50 years. There are fewer people, less hand work and workers compensation costs are lower with safer machines. There are three operators in northwest Minnesota, typically used for pine thinnings or higher value pulpwood harvests. One third of the entire state timber harvest in Minnesota comes from this area. Aspen comprises over half and lowland conifers twenty-five percent of this harvest.

The seasonality of harvest is a major hindrance. Most of the harvesting is compressed into a two and a half to a three month season. Topography limits access due to the need for frozen ground, so more planning is necessary. Winters begin ever later due to climate change. Some sites cannot be accessed every year when there is not enough frozen ground. Due to a lot of wood at once and long distances to market, a lot of wood is piled. Timely availability of trucks is also an issue. Many larger operators operate their own fleet of trucks to address this issue. There is also not enough money to maintain roads properly. Distance to markets is another major issue. The primary markets are Boise (now PCA) in International Falls, Potlatch and Norbord OSB in Bemidji, UPM in Grand Rapids, New Page in Duluth and Ainsworth in Canada. Some wood is too far from markets to attract buyers, and fuel costs are high. There was a biomass market for a few years, but natural gas prices have dropped and fracking is evaporating the biomass market in this area.

### **Tamarack resource assessment**

Dana Carlson explained that the DNR's tamarack resource assessment was completed by a wide range of people across the state. There has been large-scale mortality of tamarack in Minnesota. The state owns the majority of this resource. Much of the mortality is caused by the native eastern larch beetle. Warmer temperatures have allowed them to breed two successful generations per year instead of one. Dana covered the assessment team and the stakeholder review team memberships.

The project found an estimated 83% reduction in the tamarack cover type in Minnesota over the last 150 years. There are now only 1,000,000 acres of tamarack left in the state. Tamarack markets are poor, and there is limited attention to this species. The study's major recommendations included: 1) DNR-provided funding for several studies, including a tamarack mortality study and two case studies (suitable NPCs and geographic locales for future tamarack management and past silvicultural techniques to improve tamarack regeneration); 2) the DNR should also increase collection and availability of seeds, examine tamarack rotation ages for future SFRMPs and determine a methodology for updating its CSA inventory in areas of tamarack mortality; and 3) there should be an overall renewed effort on tamarack marketing as well as support for cooperative efforts and experimentation with the effectiveness of silvicultural methods and sharing results.

Wayne asked what the DNR would study in terms of management techniques. Dana replied that they would review what's been done and what's been successful. Having a seed source is key because tamarack is a very aggressive seeder. If seeding doesn't work, containerized stock would be the next step. Wayne also asked about marketing and product development, and if there is a role for Minnesota Forest Industries to play. Dana said that tamarack has always been an underutilized species. Bob Owens mentioned that it is an ideal species for thermal coating. Wayne commented that tamarack covers a lot of acres, and it will eventually convert. What are the risks? Is there a risk of fire? Dana replied that fires typically start where the people are, and there aren't a lot of people here. Fires are typically started by lightning in the area. It would likely be a similar situation to the northeast with spruce budworm kill. There is a potential for catastrophic fires.

Dale Erickson asked if it's too late for tamarack. Should we focus on other species, such as ash? Dana responded that he doesn't want to give up on tamarack. Small, rapidly growing vigorous trees are not affected by eastern larch beetle. Trees that are five inches in diameter and larger are the trees that are dying. A seed source that is resistant is out there, but we will lose one rotation of tamarack. Black ash co-exists with tamarack in this area. Forrest Boe inquired about regeneration in these areas. Dana replied that there is regeneration in some areas, but there is a lot of alder growth in others.

Alan suggested that in the long run, this problem will probably repair itself as new markets and products are developed. We will have to work on regeneration efforts, and put more effort into this. We will likely have to look at a variety of species to replace tamarack, similar to replacing black ash in the face of emerald ash borer. It is a complex problem, and we won't have an answer right away. Dave Zumeta recalled the black ash conference. It will probably take EAB a long time to get to the upper tier of counties along Canadian border. There is some degree of protection provided that at least a portion of winter is cold enough. There may be a shot for black ash to replace tamarack in this region. Dana mentioned experiments that raised black ash in enclosures in the area; EAB doesn't do well. But with climate change, this may not be the case long-term.

### **Primary forest markets in the Northern Landscape**

Bob Stine introduced Nate Heibel, District Procurement Manager for the Northern Region at Boise, Inc. Nate provided an overview of primary forest products in the Northern Region from an industry perspective. He also reported on the ownership change at Boise. The company entered into agreement to sell all its assets to Packaging Corporation of America (PCA). It is the fourth largest company in America in the brown paper business. PCA has now entered into the white paper business with the attainment of Boise. Wayne provided historical context for Boise's ownership structure. There have been a lot of ownership changes, and this is not uncommon for paper mills.

Nate provided a general overview of primary forest markets in Northern landscape. There is one pulp/paper mill in the region: it's Boise in International Falls. Wood from the region, however, is transported to mills outside of the area. Demand for paper of all grades has been down in recent years. Uncoated Free Sheet (UFS) is Boise's main product. Reasons for the paper decline include electronic communications and transactions as well as off-shore competition, mostly South America. Dave Zumeta asked about the percent of mill closures in Canada versus the U.S. Nate replied that UFS has greatly declined in the U.S., but he was not sure how the decline is divided between the two countries. Nate mentioned the closure of several UFS mills in the U.S., including the largest producer in Alabama. This is fortunate for the International Falls mill. Dave Parent inquired about the capability of foreign mills to pick up the slack from the Alabama closure. Nate conceded that foreign mills have a high capacity to do so. Mike Trutwin added that the closure of this impressive mill in Alabama, which he has toured, displays the gravity of the forest industry decline.

There are numerous small to mid-sized sawmills and a specialty board mill in the Northern region. Major markets for the resource include Ainsworth, Norbord OSB and Potlatch. Lumber prices are forecasted to increase. This market is closely tied to housing starts. Solid wood mills display the opposite trend of paper mills with increases in capacity and mill openings. There is a very limited biomass market due to prohibitive distance to markets. We are at the forefront of possible market expansion conversations. Market expansions for boiler fuel are unlikely considering short-term natural gas competition. Nate provided an overview of species utilization in the Northern region.

Nate reported on the May curtailment announcement at the International Falls Boise mill. Closure of two of the older paper machines resulted from decreased demand and increased offshore supply. The mill will make old pulp and purchase market pulp. Dave Zumeta asked if this will change the mill's species mix. Nate replied that the mill's mix will shift slightly more to softwoods of all types. The mill offered severance packages and attrition as well as layoffs to employees. Greg Bernu inquired about the annual payroll amount of those 265 jobs. Nate replied that it was between \$15-20 million annually. Five hundred and eighty jobs remain at the plant. Job multipliers and curtailment will affect an additional 900 plus jobs. Boise will continue to maximize production on its remaining machines. International Falls will be a pulp neutral mill. Boise purchases stumpage throughout northern Minnesota. The average haul distance is 70 miles (southern markets average half of that). Seventy percent is harvested in winter.



Opportunities to maintain the success of Minnesota markets include improving the quality and quantity of the resource, more summer available wood, better forest road maintenance, decreased energy costs (electricity and fuels), improving markets for renewable energy and marketing for certified forests. Greg asked about a cogeneration facility. Nate replied that Boise owns it, and it produces about 30% of their power. Dave Parent remarked on the advantage of having quality wood. He asked Nate for recommendations he had to landowners. Is there a premium for quality? Nate responded that, in his opinion, landowners should be looking at reducing rotation ages. It is the most inexpensive, efficient way to obtain quality wood. Dave asked further about pre-commercial thinning. Nate replied that that's all part of rotation age considerations. Alan Ek asked about Canadian fuel, and Dave Zumeta commented that Ontario plans to stop using coal. Could this be a possible opportunity to ship wood as replacement fuel? Nate replied that there is a possible issue with invasives and long haul distances. This underscores the need for road and bridge maintenance.

### **Northern Committee Chair's remarks**

Perry Eide, Northern Regional Landscape Committee Chair, introduced himself and welcomed the council on behalf of the Northern Landscape Committee. He wanted to emphasize that the Northern Region is different than the rest of the state. Forest products are an integral part of the region, so issues in sustainable forestry could make or break it. Perry wanted to share the issues and opportunities in the Northern Region with the council to share with the governor and legislature.

Perry yielded his time to Paul Nevanen, Director of the Koochiching County Economic Development Authority (EDA) and Northern Landscape Committee member. Paul described the extremely difficult task of balancing management frameworks in this region, considering the impacts of the forest products industry decline, globalization, transportation and housing challenges. There will be long-term effects of job losses, but Paul is guardedly optimistic about the future of this area. Bob Anderson, Mayor of International Falls, has provided great leadership, and the state and federal delegation have been supportive. The great renewable resource in wood fiber that is well-managed, world-class water quality and a skilled and highly dedicated work force are all reasons that businesses have remained competitive in this cold climate. The keys for the forest products industry to survive and thrive are innovation and creativity.

Economic development and job creation are difficult due to geographical location and other factors. The EDA's approach to job creation is to diversify outside of forestry; however, utilizing natural resources is key and will remain a core area of attention. The EDA will focus on biomass, a low-hanging fruit, which is promising but hard to accomplish. There are several current biomass projects, but challenges with the low cost of natural gas and high transaction costs. Biomass as a thermal energy source is a difficult proposition to finance and secure competitive rates long-term. There are also pilot-scale biofuel projects that are promising, but it is unknown how they will work here.

**Public Communications to the MFRC**

Bob Anderson, Mayor of International Falls, discussed the impact of Boise's layoffs. Boise offered a controlled layoff program, and a number of employees who are leaving qualify for trade adjustment assistance that includes unemployment for two years with training. The University of Minnesota reviewed the economic impact of the layoffs, and one of Bob's concerns is maintaining a full-service community. Thousands of tourists visit International Falls, and their needs must be met. Boise will continue to be the largest employer in Koochiching County, and the impact of the plant downsizing may not be as devastating as expected. International Falls is in a unique geographical location; the nearest larger towns are over 100 miles away, and the town brings in a lot of Canadian business.

**MFRC Member Comments**

Forrest Boe thanked the MFRC staff and guests for great presentations.

Bob Stine mentioned that he will work with Dave Zumeta to develop a 2014 meeting schedule. Wednesday, January 22, is the likely date for the first meeting of the year.

Dave Zumeta welcomed everyone to join the council on a tour to Dale Erickson's mill, followed by a barbeque and social hour. Dale described the tour at his mill.

Gene Merriam moved, and Dave Parent seconded adjourning the meeting. *The meeting was adjourned at 3:00 p.m.*